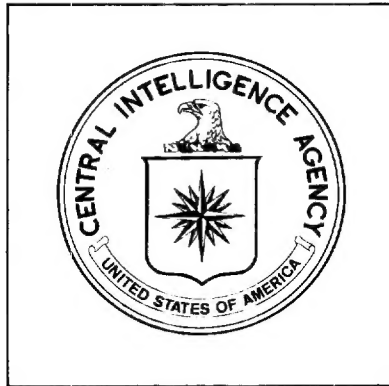


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MIDDLE EAST – AFRICA – SOUTH ASIA

This publication is prepared for regional specialists in the Washington community by the Middle East - Africa Division, Office of Current Intelligence, with occasional contributions from other offices within the Directorate of Intelligence. Comments and queries are welcome. They should be directed to the authors of the individual articles.

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Oman

Financial Situation Relieved

Oman has averted for the present the financial crisis that has been building since late last year. By juggling oil receipts, refinancing some bank debts, and securing loans from other Arab countries, Sultan Qabus' government has relieved pressure from its creditors. Another crunch is likely to develop, however, unless the government retrenches and institutes better financial planning.

The present respite stems from the transfer by Oman of nearly all of a periodic \$165 million oil revenue payment by Petroleum Development Oman (PDO) to the British Bank of the Middle East to defray an overdue loan. The bank subsequently re-lent some funds to Oman that will fall due when the next check from PDO is received. To help overcome Muscat's present cash shortage, Saudi Arabia recently provided \$200 million of which half was reportedly an outright grant. Abu Dhabi reportedly contributed \$30 million in early 1975 and may have provided an additional \$35 million this month. The government also is negotiating for \$200 million from other banks in which there are large Arab interests.

British consultants engaged by the government earlier this year have estimated its budget deficit for 1975 would be at least \$250 million. By delaying implementation of some economic projects, and stretching out others, some cuts were made but Sultan Qabus decreed that no reductions be made in the \$500 million defense budget. Even though payments for the multi-year \$600 million air defense program could be delayed, Oman has elected to go ahead as originally programmed.

The success of the Omanis in securing help from other Arabs--as well as additional bank loans--will probably

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hinder their limited resolve for reforming their financial and budget practices. Other than making minor cuts, it is unlikely that the government will proceed seriously with the British consultants' recommendations. (SECRET/NO FOREIGN DISSEM/NO DISSEM ABROAD/BACKGROUND USE ONLY/CONTROLLED DISSEM)

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